



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 22-08]

Notice of Entering into a Compact with the Government of Kosovo

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with the provisions of the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation (MCC) is publishing a summary of the Millennium Challenge Compact (Compact) between the United States of America, acting through MCC, and the Government of Kosovo. Representatives of MCC and the Government of Kosovo executed the Compact on July 15, 2022. The complete text of the Compact has been posted at: <https://assets.mcc.gov/content/uploads/compact-kosovo.pdf>

(Authority: 22 U.S.C. 7709 (b)(3))

Dated: July 19, 2022.

Thomas G. Hohenthanner,

Acting VP/General Counsel and Corporate Secretary.

SUMMARY OF KOSOVO COMPACT

Overview of MCC Kosovo Compact

MCC's five-year Compact with the Government of Kosovo in the amount of \$202,000,000 aims to reduce poverty through economic growth by targeting a binding constraint to economic growth in the country: the unreliable supply of electricity. The Compact will address this constraint through three projects: the Energy Storage Project, the Just and Equitable Transition Acceleration (JETA) Project, and the American Catalyst Facility for Development (ACFD) Project. The ACFD Project leverages U.S. International Development Finance Corporation (DFC) financing to complement the objectives of the Energy Storage Project. MCC's investments in Kosovo's energy sector will accelerate Kosovo's transition towards an energy future that is more sustainable, inclusive, reliable, and affordable.

Project Summaries

The projects and activities to be completed are:

1. ***Energy Storage Project:*** The objective of the Energy Storage Project is to support energy security and transition to a cleaner energy future, as reflected by the (1) usage of energy storage systems; (2) availability of the energy storage system; and (3) reduced cost of securing adequate electricity for Kosovo. The project includes three activities:
 - **Frequency Restoration Response Activity:** This activity intends to support the transmission system operator in owning and operating approximately 90 megawatt-hours (MWh) of energy reserves to cost-effectively smooth out unexpected imbalances in the electricity grid.
 - **Multi-Functional Energy Storage (MFES) Activity:** This activity intends to support a public or public-private partnership battery storage entity in owning and operating approximately 250MWh of energy storage that could be used for frequency restoration reserves, energy arbitrage, or other potential ancillary services, filling in gaps of longer-scale, unexpected outages or shifting energy to cover peak demand.
 - **Energy and Climate Policy Support Activity:** This activity intends to support technical and administrative capacity building for energy and climate regulators and the policy and institutional reforms required to ensure the operating environment for energy storage in Kosovo is well defined and regulated through Kosovo's laws and supported by good planning, maintenance, and cost-reflective tariffs. It also aims to support cross-cutting measures on female employment and entrepreneurship across projects, and policy and institutional reform around pro-poor and gender-inclusive planning in the sector.
2. ***JETA Project:*** The objectives of the JETA Project are to (1) produce graduates who are hired in relevant jobs in the energy and adjacent sectors; and (2) increase employment of women among participating employers in the Inclusive Energy Sector Workforce Activity.
 - **Energy Skills for the Future Activity:** This activity aims to establish new technical training programs and builds on existing programs to provide the skills demanded by employers in the energy and adjacent sectors, aiming to facilitate the Government of Kosovo's energy transition and increasing women's participation in such programs.

- **Inclusive Energy Sector Workforce Activity:** This activity aims to incentivize gender equitable practices among energy sector employers, support networking, training, and mentoring opportunities for women, and provide technical assistance to help increase female representation in energy companies in Kosovo.

3. **ACFD Project:** The objective of the ACFD Project is to facilitate complementary DFC investments in Kosovo. The project aims to leverage DFC's financing to support one or more blended finance transaction(s) that will catalyze private investment in Kosovo that could include (1) complementing MCC's funding to deliver a public private partnership focused transaction for energy storage in lieu of a public entity for the MFES Activity; (2) leveraging private sector participation to scale a successful energy storage public entity launch via additional private sector delivered storage systems and services (*i.e.*, additionally leased energy storage capacity); and (3) catalyzing complementary renewable energy investments that bolster generation capacity and strengthen the energy storage entity business case.

Kosovo Compact Budget

The compact budget is up to \$236,670,600, which includes up to \$202,000,000 funded by MCC and a contribution from the Government of Kosovo of \$34,670,600.

| Component | MCC Funding |
|--|----------------------|
| 1. Energy Storage Project | \$147,695,906 |
| 1.1 Frequency Restoration Response Activity | \$21,481,015 |
| 1.2 Multi-Functional Energy Storage Activity | \$116,588,890 |
| 1.3 Energy and Climate Policy Support Activity | \$9,626,001 |
| 2. Just and Equitable Transition Acceleration Project | \$16,000,000 |
| 2.1 Energy Skills for the Future Activity | \$8,000,000 |
| 2.2 Inclusive Energy Sector Workforce Activity | \$8,000,000 |
| 3. American Catalyst Facility for Development | \$2,000,000 |
| 4. Monitoring and Evaluation | \$3,565,000 |
| 5. Program Management and Administration | \$32,739,094 |
| Total MCC Funding | \$202,000,000 |

| Total Compact Funding | Amount |
|-----------------------------------|----------------------|
| Total MCC Funding | \$202,000,000 |
| Government of Kosovo Contribution | \$34,670,600 |
| Total Compact | \$236,670,600 |